



**CONTAINING COSTS IN THE STATE'S MEDICAID PROGRAM  
FOR CLAIMS PAID FOR VETERANS**

**From The Office Of State Auditor  
Claire McCaskill**

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**PERFORMANCE AUDIT**



Office of  
Missouri State Auditor  
Claire McCaskill

September 2004

**Missouri could potentially save millions of dollars of state funds by assisting low-income veterans to obtain their medical services from the U.S. Department of Veterans Affairs (VA) rather than through the state Medicaid program**

Many veterans of the United States Armed Forces are eligible to receive free medical benefits through the VA health care system. However, the VA can only assist veterans who have registered with it. Using a Department of Social Services' (DSS) database which showed whether any individuals receiving Medicaid benefits were also receiving compensation from the VA, we determined 6,144 Medicaid recipients were also receiving some form of compensation from the VA. Nearly half of these recipients received \$14.1 million in prescription drug and durable medical equipment from Medicaid between January 2003 and March 2004--\$5.5 million of this amount was state funds. These recipients may have been eligible to receive free medical services through the VA, either with their original prescription or after seeing a VA doctor, thereby saving state funds. To identify Medicaid recipients who were receiving VA compensation and benefits, we requested DSS to send a copy of the state's Medicaid recipient file to VA, which had never been performed by DSS.

**Missouri may be missing out on savings for prescription drugs for veterans residing in nursing homes**

Our analysis showed 879 of the 2,731 veterans who obtained prescription drugs through Medicaid resided in nursing homes during some or all of the period examined. These veterans may be entitled to free drugs from the VA; however, most nursing homes require prescription drugs be packaged in blister packs, and the VA only dispenses drugs in bottles. A potential solution would be for the Division of Medical Services to pay the cost of blister packing medications from the VA for residents of nursing homes, provided that these costs do not exceed the state's current cost of providing these drugs through the Medicaid program.

**Missouri should change its Medicaid application form to identify veterans who may be eligible for assistance from the federal government for their health care costs**

The current form for applicants seeking Medicaid only asks if the person is receiving any compensation from the VA. This question fails to identify those persons who may be eligible for VA benefits but have not applied for them. Revising the form to identify those persons who might be eligible for benefits from the federal government through the VA would save the state money that would have otherwise been spent in the Medicaid program. This would also help ensure the agency complies with state law, which requires that all Medicaid applicants cooperate in obtaining any third party resources available to them.

(over)

YELLOW SHEET

### **Better cooperation among state agencies could save substantial state funds**

In response to our audit, state agencies agree that a greater level of cooperation among agencies would likely lead to substantial savings for the state. The Medicaid application form will be amended to ask applicants if they are veterans, thereby identifying persons who may be eligible for free medical care from the federal government through the VA. The State Veterans Commission agrees identifying such individuals, and helping them access federal VA benefits, could benefit the veterans, in addition to saving state General Revenue funds, and this result can be achieved through a cooperative agreement with DSS. DSS, however, believes existing laws and regulations prevent it from working collaboratively with the Commission to save state funds. The Department of Health and Senior Services indicated it was in agreement that it would be beneficial to explore options to provide veterans in nursing homes with medications from the VA, should a solution to the dilemma that medications generally must be distributed in blister packs be solved.

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### Abbreviations

DMS	Division of Medical Services
DSS	Department of Social Services
FSD	Family Support Division
SAO	State Auditor's Office
VA	U.S. Department of Veterans Affairs



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**Missouri State Auditor**

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and  
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Department of Social Services  
and  
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and  
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The Missouri Medicaid program provided medical services to about 978,000 residents at a cost of \$849.7 million in state funds during state fiscal year 2004. This report focuses on opportunities to reduce the cost of the state's Medicaid program by determining the extent veterans obtained medical services through the state's Medicaid program, who could have potentially obtained the same services from the U.S. Department of Veterans Affairs (VA).

At our request, the Department of Social Services (DSS) provided VA a copy of the Medicaid recipient file to determine the number of recipients receiving VA compensation. VA data showed 6,144 state Medicaid recipients are veterans receiving some type of VA compensation or benefits. These Medicaid recipients, therefore, are potentially eligible to obtain health care through the VA health care system versus the state's Medicaid program. The VA health care system is totally funded by the federal government, whereas the state pays about 39 percent of its Medicaid program costs. Accordingly, qualified veterans could obtain VA health care and Missouri could save substantial state funds.

Our analysis showed 2,731 veterans who were potentially eligible to obtain their medical services through the VA at no cost to themselves or the state, received up to \$5.5 million dollars (state funds) in Medicaid benefits during a 15-month period. The Missouri Veterans Commission, who is responsible for administering the state's veterans programs, agreed to cooperate in identifying and notifying veterans they are potentially eligible for VA benefits, and assist the veterans in enrolling in the VA health care system. On the other hand, DSS believes it cannot cooperate with Missouri Veteran's Commission to notify veterans on Medicaid of their potential VA benefits because (1) VA would be the appropriate agency to do this, and (2) it is restricted by federal and state law from releasing the names of Medicaid veterans to Missouri Veteran's Commission. However, DSS is responsible for administering the state's Medicaid program, and has the fiscal responsibility to ensure public funds are spent appropriately. As such, it is the appropriate agency, and is not restricted by federal or state law, to notify state

Medicaid veterans they are potentially eligible for VA medical services benefits.

We make recommendations to notify veterans receiving Medicaid benefits, to help ensure future veterans applying for Medicaid benefits are advised of their potential to receive VA health care, and to ensure future data matches are conducted to identify VA compensation or benefits to recipients.

We conducted our work in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such tests of the procedures and records as were considered appropriate under the circumstances.



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State Auditor

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## **State Medicaid Program Costs Can be Reduced by Enrolling Veterans in U.S. Department of Veterans Affairs Programs**

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We identified opportunities to save approximately \$5.5 million or more in state Medicaid benefits by determining whether Medicaid recipients are eligible for the U.S. Department of Veterans Affairs (VA) health benefits program. Actual savings will depend on the number of veterans choosing to obtain their medical services from the VA rather than through the state's Medicaid program. Current state Medicaid procedures do not identify qualified veterans applying for Medicaid services and, thus, do not assist them in enrolling with VA. Our analysis showed 6,144 state Medicaid recipients were potentially eligible to obtain VA medical services at no cost to veterans or the state. The Missouri Veterans Commission, in an effort to assist veterans and save state funds, agreed to counsel veterans on VA medical benefits, and assist the veterans in enrolling with VA. However, Department of Social Services (DSS) officials do not believe they are responsible for contacting the veterans and advise them of their potential eligibility to receive free health care through the VA. Additionally, DSS believes current federal and state law restricts it from releasing names of veterans receiving Medicaid benefits to the Missouri Veteran's Commission to assist these veterans to enroll in the VA health care program.

### **Background**

The Medicaid program is a cooperative venture jointly funded by the federal and state governments to assist states in furnishing medical assistance to eligible needy persons. Medical services available through Missouri's Medicaid program, administered by DMS, include inpatient and outpatient hospital services, physician services, prescription drugs, and long term care. Medicaid is the largest source of funding for medical and health-related services for America's poor, and an estimated 978,495 Missouri residents.<sup>1</sup> Missouri's Medicaid costs increased from \$685.2 million in 2000 to \$849.7 million in 2004, or 24 percent. Currently, Missouri pays about 38.5 percent of the total cost to provide medical care to its Medicaid recipients, and the federal government pays the remaining amount.

The Department of Social Services - Family Support Division (FSD) accepts Medicaid applications and determines eligibility for the majority of recipients for various department-administered medical assistance programs including Medicaid.

In addition to Medicaid, eligible veterans can receive numerous free medical benefits through the VA health care system<sup>2</sup> such as

- outpatient and inpatient medical, surgical, and mental health care (including care for substance abuse),
- prescription drugs, including over-the-counter drugs and medical and surgical supplies available under the VA national formulary system,
- emergency care in VA facilities, and

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<sup>1</sup> Medicaid recipient data is current through November 30, 2003.

<sup>2</sup> VA benefits became effective under the Veterans' Health Care Eligibility Reform Act of 1996, enacted by Public Law 104-262.

- durable medical equipment,<sup>3</sup> prosthetic and orthotic devices, including eyeglasses and hearing aids.

VA will provide free nursing home care either in VA or private nursing homes to veterans (1) with a service-connected disability rated at 70 percent or more, (2) whose service-connected disability is clinically determined to require nursing home care, or (3) with a service-connected disability rated at 60 percent and is unemployable, or has an official rating of permanent and total disabled.

Veterans generally need to enroll with the VA in order to receive free VA medical care and may apply for enrollment at any time.<sup>4</sup> VA provided medical care is totally funded by the federal government. A potential benefit for veterans is the preservation of their estates. While state law<sup>5</sup> allows the state to recover the cost of state provided care from recipients' estates, the federal government does not recover similar cost for VA provided medical care. VA also provides veterans other benefits such as education and training, home loans, life insurance, help with burial costs, and surviving spouse benefits.<sup>6</sup>

To identify individuals receiving duplicate public assistance benefits, FSD participates in a data exchange agreement with the U.S. Administration for Children and Families and other state public assistance agencies. The agreement also allows states to determine if their public assistance recipients, such as individuals eligible for Medicaid, receive VA compensation and pension benefits.

## **Scope and Methodology**

To identify Medicaid recipients who were receiving VA compensation and benefits, we requested DSS to send a copy of the state's Medicaid recipient file to VA. DSS provided us the results of this match in March 2004, which showed VA identified 6,144 state Medicaid recipients who received some type of compensation from VA. We analyzed the 6,144 veterans' files and compared them to Medicaid paid prescription drug and durable medical equipment claims for a 15-month period from January 1, 2003 through March 31, 2004 to determine whether these veterans had obtained these services through Medicaid and the associated costs.

To evaluate Medicaid and VA enrollment procedures related to veterans, we met with officials of the Missouri Veterans Commission, FSD and DMS to discuss the results of our analyses, and to collaborate on strategies to advise veterans of their VA health care benefits available. We also reviewed applicable federal and state laws, regulations and procedures regarding VA and Medicaid eligibility requirements. We performed our work between January and July 2004.

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<sup>3</sup> Durable medical equipment includes artificial limbs, orthopedic braces, and wheelchairs.

<sup>4</sup> Veterans will be enrolled to the extent Congressional appropriations allow. If appropriations are limited, enrollment is determined on a priority basis. Veterans with service-connected disabilities who are rated 50 percent or more disabled are priority one and veterans eligible for Medicaid and who are unable to pay for needed medical care are priority five.

<sup>5</sup> Section 208.215, RSMo 2000.

<sup>6</sup> Federal Benefits for Veterans and Dependents, 2004 edition published by the federal Department of Veterans Affairs.

We met with the Adjutant of the Missouri American Legion and the Quartermaster of the Missouri Department of Veterans of Foreign War on September 14, 2004. Neither official expressed any concerns with the matters contained in this report.

We obtained comments on a draft of this report during a meeting with department officials on August 6 and 17, 2004 and in letters from the Departments of Social Services and Health and Senior Services, and the Missouri Veterans Commission dated September 13, 1, and 2, 2004, respectively. We incorporated those comments into the report as appropriate.

### **DSS has missed opportunities to save state Medicaid funds**

DSS has not ensured veterans applying for Medicaid were referred to Missouri Veteran's Commission to determine if they were eligible for VA medical services and other benefits. Although DSS has participated in a data exchange program with other states and the VA, it has not obtained VA data to determine the number of veterans enrolled in the state's Medicaid program. As such, DSS had not implemented procedures to ensure the Medicaid program did not pay for services to recipients that other health care providers such as VA should be providing, as required by state law.<sup>7</sup>

### Medicaid provided veterans substantial assistance for prescription drugs and durable medical equipment

We found about half of the 6,144 veterans received \$14.1 million in prescription drug and durable medical equipment from Medicaid between January 2003 and March 2004. Our analysis showed 2,731 of the veterans obtained prescription drugs costing \$11.4 million, and 919 veterans obtained \$2.7 million of durable medical equipment. The March 2004 match between Medicaid and VA databases had not been previously conducted. This match only identified veterans who received some type of compensation from VA, and does not include other Medicaid recipients who might also be eligible for VA services. As such, the exact dollar amount of savings cannot be determined because (1) additional veterans may be eligible for VA benefits, and (2) some veterans we identified may not want to obtain VA benefits. According to the Veterans Commission Executive Director, some veterans have indicated in previous efforts to enroll them in the VA healthcare system they did not want to visit VA doctors and would prefer to continue receiving their medical services through Medicaid. Table 1 shows a breakdown of the Medicaid benefits that were paid between January 1, 2003 and March 31, 2004 for patients who may be eligible for VA benefits.

**Table 1: Breakdown of Medicaid Expenditures for Recipients Potentially Eligible for Veterans Benefits (Dollars in millions)**

<b>Benefit</b>	<b>State Funds</b>	<b>Federal Funds</b>	<b>Total</b>
Prescription Drugs	\$4.4	\$7.0	\$11.4
Durable Medical Equipment/Prosthetics	1.1	1.6	2.7
<b>Totals</b>	<b>\$5.5</b>	<b>\$8.6</b>	<b>\$14.1</b>

Source: SAO analysis of Medicaid claims and VA data.

<sup>7</sup> Section 208.215, RSMo 2000.

According to VA guidelines, some veterans can receive prescription drugs without visiting a VA doctor. Veterans enrolled in the VA health care system and entitled to aid and attendance benefits can obtain free prescription drugs through VA based on prescriptions they obtained from any licensed medical doctor—these veterans are not required to visit a VA doctor. VA data shows 756 of the 2,731 veterans, who received \$3.9 million (\$1.5 million state costs) in Medicaid prescription drugs, were entitled to VA aid and attendance, or housebound benefits.<sup>8</sup> As a result, these veterans only have to enroll with the VA in order to begin receiving VA provided medications.

The remaining 1,975 veterans receiving prescription drugs totaling \$7.5 million (\$2.9 million state costs) were not entitled to aid and attendance benefits and may need to visit a VA doctor before obtaining needed prescriptions from VA. Further analysis showed 503 of these veterans' drug costs exceeded \$5,000 each, or at least \$2.5 million. Many veterans should be within a reasonable commuting distance to a VA hospital and/or clinic located in 19 communities throughout the state. Veterans required to visit VA doctors have two alternatives for free travel: One, VA will pay travel expenses for certain eligible veterans. (See Appendix I for a map showing the locations of VA's hospitals and clinics.) Another alternative is to use the state's Medicaid agency contracts to provide transportation to Medicaid recipients (at no costs to the recipients) if they need to visit a doctor or other health care providers to obtain medical services.

In a separate analysis, we determined 879 of the 2,731 veterans who obtained prescription drugs resided in nursing homes during all or some portion of the 15-month period. The cost of their drugs was about \$4.5 million (\$1.7 million in state funds). Many nursing homes dispense medications to residents in blister packs.<sup>9</sup> State regulations<sup>10</sup> allow nursing homes to refuse to accept prescription drugs in bottles if their policy and procedures for packaging require medications to be blister packed. However, VA's policy is only to provide medications to veterans in bottles, which nursing homes may be reluctant to accept. According to the Deputy Director of the Department of Health and Senior Services, under current regulations, one potential solution is to have DMS pay VA's cost of blister packing medications for veterans residing in nursing homes—provided the cost would not exceed the state's share for the veterans drugs.<sup>11</sup> The state Veterans Commission currently pays the VA a fee to blister pack medications for veterans residing in state operated veterans nursing homes.

#### Modifying Medicaid application form would help identify eligible veterans

DMS cannot ensure the state is in compliance with federal regulations and state law using the current Medicaid application form. According to federal regulations, state Medicaid agencies must require Medicaid applicants and recipients to take all necessary steps to obtain any annuities, pensions, retirement, and disability benefits to which they are entitled, unless they can

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<sup>8</sup> A veteran who is determined by the VA to be in need of the regular aid and attendance of another person, or a veteran who is permanently housebound, may be entitled to additional VA benefits.

<sup>9</sup> This form of packaging separates medication into individual "bubbles" versus all of the medication being in a bottle. As such, each resident has segregated medications that are arranged in the order they are to be taken with administration instructions on the packaging.

<sup>10</sup> 19 CSR 30-88.010(34).

<sup>11</sup> The state Department of Health and Senior Services has oversight over private nursing homes operating in the state and would be responsible for amending the state regulations.

show good cause for not doing so.<sup>12</sup> State law requires all Medicaid applicants and recipients to cooperate in obtaining third-party resources, and failure to cooperate without good cause will render the applicant or recipient ineligible for medical assistance.<sup>13</sup>

Missouri's current Medicaid application form only asks applicants if they are receiving any VA compensation; not if they are veterans. Accordingly, DMS officials could not determine how many veterans receive Medicaid services that may be eligible for VA benefits, including VA health care benefits. Many veterans may not be aware they are eligible for VA benefits, according to a 2001 VA survey.<sup>14</sup> VA's survey found many veterans had not applied for benefits for which they were eligible such as pensions, disability payments and medical services because they

- did not think they were entitled or eligible for VA benefits,
- were not aware of benefits available through the VA, or
- did not know how to apply for VA benefits.

The state's Veterans Commission has an ongoing outreach program to contact the state's veterans and advise them of their entitled VA benefits. DSS officials stated they would modify the state's Medicaid application form to identify veterans when they apply for Medicaid and then refer them to the Veterans Commission. They said this would help veterans obtain VA benefits and help reduce the cost of the state's Medicaid program.

### **Cooperation among state agencies could save substantial state funds**

DMS, FSD, and Missouri Veterans Commission officials agreed actions can be taken to assist veterans to enroll in the VA health care program. A consensus opinion was the most effective approach would be for Veterans Commission service officers to contact the veterans residing in nursing homes and explain available VA benefits and offer to assist the veterans in enrolling them in VA's health benefit program. DSS could send the remaining veterans a letter advising them of their potential VA benefits and refer them to a Veterans Commission service officer. DMS officials said before they could release any veterans' names to the Commission, the division would have to (1) ensure releasing the names did not violate any provisions of the Health Insurance Portability and Accountability Act of 1996, and (2) enter into a cooperative agreement with the Commission prescribing the Commission's use of the names.

### **Conclusions**

DSS has failed to identify opportunities to save state funds by not performing needed analysis to determine the number of veterans enrolled in the state's Medicaid program. Missouri can save substantial state funds by assisting low-income veterans to obtain their medical services from the VA rather than through the state's Medicaid program. This can be accomplished without reducing or eliminating benefits for these veterans. The savings will be dependent on the

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<sup>12</sup> Code of Federal Regulations, 42 CFR 435.608(a), revised as of January 1, 2003.

<sup>13</sup> Section 208.215.4, RSMo 2000.

<sup>14</sup> 2001 National Survey of Veterans Report conducted by the U.S. Department of Veterans Affairs' Veterans Benefits Administration.

number of veterans choosing to receive their medical services through VA. Qualified veterans can obtain many of the same free medical services through VA that they are now receiving through the state's Medicaid program, at no cost to the veteran or the state. If veterans cannot obtain reasonable transportation to VA doctors, it may be cost-effective for the state's Medicaid program to transport these veterans to visit a VA doctor to obtain and renew their prescriptions. Veterans also benefit by being made more aware of their VA benefits and reducing the amount of their estates owed to the state upon their deaths.

While DSS officials agreed to modify the Medicaid application form, they do not agree to work collaboratively with Missouri Veteran's Commission to ensure veterans are aware of their benefits, which can benefit the veterans and result in Medicaid cost savings. Revising the application form will help ensure all future veterans are enrolled in the appropriate medical assistance program. Collaborative efforts are needed to help veterans currently enrolled in Medicaid to advise them of their potential VA benefits and to assist them in enrolling in the VA health care system. Also, collaborative efforts are needed to ensure veterans using prescription drugs in nursing homes are able to obtain VA assistance. One option for these veterans in nursing homes who could use VA medications is for DMS to reimburse VA the cost of blister packing medications for veterans residing in a nursing home—provided the cost would not exceed the state's share for the veterans drugs.

DSS will need to implement procedures to perform additional analysis to identify other veterans receiving Medicaid benefits such as in-patient and out-patient hospitalization that were not identified by the current analysis. The state Veterans Commission service officers should be able to determine if any veterans now in nursing homes are eligible to obtain nursing home care through the VA at no cost to the state. However, the DSS needs to periodically determine whether Medicaid recipients obtain VA compensation, and, if so, ensure Medicaid is the appropriate provider. These procedures will serve as a cost-effective means for DSS to properly administer the Medicaid program while helping some Missouri veterans become aware of additional benefits they earned by serving their country.

## **Recommendations**

We recommend the Director, Department of Social Services:

- 1.1 Send all veterans a letter advising them they can potentially obtain free medical services and other benefits through the VA and refer them to a Veterans Commission service officer.
- 1.2. Modify the Medicaid application form to identify if applicants are veterans and establish procedures to refer veterans to Veterans Commission service officers.
- 1.3 Periodically submit a copy of the state's Medicaid recipient file to VA to identify Medicaid recipients who are receiving VA compensation.

We recommend the Directors of the Department of Social Services and Missouri Veterans Commission:

- 1.4 Enter into a cooperative agreement allowing the Commission to contact all veterans receiving Medicaid benefits in order to explain their earned VA benefits and to assist veterans in deciding whether to enroll with VA to receive medical services.

We recommend the Directors of the Department of Social Services, Missouri Veterans Commission, and the Department of Health and Senior Services:

- 1.5 Develop economical and effective procedures to distribute VA supplied medications to veterans residing in nursing homes.

### **Agency Comments and Our Evaluation**

The Department of Social Services provided the following comments in a letter dated September 13, 2004:

- 1.1 *DSS supports the opportunity to assist veterans in accessing federal Veteran Administration (VA) benefits. The VA would be the appropriate agency to send such letters to all veterans. DSS could include information about VA medical benefits on notices the Division of Medical Services (DMS) already sends to Medicaid recipients.*
- 1.2 *DSS will add a question about military service to the Medicaid application for the elderly and persons with a disability. Veterans will be given a pamphlet or other information (supplied by the Missouri Veterans Commission) about VA benefits and the availability of assistance from the Missouri Veterans Commission. Veterans who might be eligible for benefits would be instructed on how to contact the Missouri Veterans Commission for assistance.*
- 1.3 and 1.4 *There are federal and state laws designed to protect privacy of individuals. Existing federal and state law restricts disclosure of Medicaid recipients. Section 1902 [42 U.S.C. 1396a](1)(7) of the Social Security Act and its supporting federal regulations (42 CFR 431.301-431.307) prohibit DSS from supplying names of Medicaid recipients to the Missouri Veterans Commission. These regulations restrict disclosure of information concerning recipients to purposes directly connected with the administration of the Medicaid program. Purposes directly connected to program administration include: (a) establishing eligibility; (b) determining the amount of medical assistance; (c) providing services for recipients; and (d) conducting or assisting an investigation, prosecution, or criminal or civil proceeding in connection with the administration of the program. Giving the names of Medicaid recipients to the Missouri Veterans Commission in order to refer the recipient for assistance in obtaining VA medical benefits does not meet the definition of a purpose directly connected to the program. Section 208.120, RSMo, restricts disclosure of information about Medicaid applicants or recipients, except in proceedings or investigations where eligibility of an applicant to receive benefits, or the amount received or to be received by any recipient, is called into question, or for the purposes directly*

*connected with the administration of public assistance. Section 208.155 also restricts disclosure of information except for purposes directly connected with administration of the medical assistance program.*

SAO Comment: Federal and state laws require DSS to ensure Medicaid is the payor of last resort when recipients have other available health care insurance such as VA; thus, making DSS the appropriate and responsible agency to notify state Medicaid veterans they are potentially eligible for VA medical services benefits. Moreover, Missouri, not VA, will realize the savings by helping veterans obtain VA health care system benefits and reducing the amount of Medicaid benefits paid by the state.

In addition, federal and state laws do not restrict DSS from releasing the names of Medicaid recipients to the Missouri Veteran's Commission because our recommendation is directly connected to DSS' administration of the Medicaid program. DSS will be responsible for ensuring the recommended cooperative agreement with the Missouri Veteran's Commission provides needed privacy safeguards while advising veterans their potential rights to VA benefits. And finally, according to a Washington state Medicaid report, the Medicaid agency has released recipient names to the state's Department of Veterans Affairs for the purpose of advising the veterans of their VA benefits and to shift the veterans' health care costs from Medicaid to VA.

- 1.5 There are federal and state laws designed to protect the safety of individuals regarding the administration of medications. The safety of veterans should not be compromised when exploring cost savings alternatives.*

*Current state (DHSS) regulation requires "blister pack" or "bubble packs" for patient safety reasons. Currently the VA pharmacy does not "blister pack" or "bubble pack" their medications. Current federal and state law prohibits another Missouri pharmacy from altering or tampering with the packaging of prescriptions that they do not dispense. This would include blister or bubble packaging medications that the VA ultimately dispenses.*

SAO Comment: DHSS comments on page 11 contradict this statement on blister packs.

The Missouri Veterans Commission provided the following comments in a letter dated September 2, 2004:

- 1.4 The Veterans Commission agrees that an opportunity exists to identify and assist veterans in accessing Federal VA benefits, including medication and durable medical equipment, which would save state General Revenue Funds. The Commission agrees with the recommendations that a cooperative agreement with the Department of Social Services be entered into for that purpose. The Commission also concurs with the recommendation that economical and effective procedures to distribute Federal VA supplied medications be sought. It should be noted, however, that currently the primary VA pharmacy is not set up to provide bubble-packing. The existing contract between VA and the Veterans Commission is handled from a special pharmacy, established and manned only to handle the workload of the seven State Veterans Homes.*

The Department of Health and Senior Services provided the following comments in a letter dated September 1, 2004:

1.5 *We support the concept of identifying and utilizing veterans' benefits to pay for medications needed by residents of skilled nursing facilities and intermediate care facilities. In prior discussions with the staff of the auditor's office, we discussed our department's rule which is involved with this recommendation.*

*The current version of the rule in question reads:*

*19 CSR 30-88.010(34)*

*(34) Each resident shall be allowed the option of purchasing or renting goods or services not included in the per-diem or monthly rate from a supplier of his/her own choice, provided the quality of goods or services meets the reasonable standards of the facility. Freedom of choice of pharmacy shall be permitted provided the facility's policy and procedures for packaging specifications are met. II/III (emphasis supplied)*

*Virtually all skilled nursing facilities and intermediate care facilities in the state of Missouri currently use what are variously referred to as "blister packs" or "bubble packs" for the administration of medication. This form of packaging means that each resident has segregated medications that are arranged in the order they are to be taken with instructions on the packaging as to who is to receive the medication, when they are to receive the medication, and other relevant information. (This is distinguished from the situation in which a resident of a skilled nursing facility or intermediate care facility might have a collection of various bottles of medicine that would be handled repetitively.) "Research has shown that the use of blister packaging, for instance, can dramatically improve compliance while cutting pharmacy costs." (U. S. Food and Drug Administration, "Minimizing Medical Product Errors: A System Approach," <http://www.fda.gov/oc/workshops/errorsum.htm>) Compliance in this sense means that facilities are able to administer the correct dosage of the correct medications to the correct patients at the correct time.*

*Our agency does not explicitly require skilled nursing facilities and intermediate care facilities to use blister or bubble packs. Rather, such facilities have found that their use has so significantly reduced medication administration errors that the bubble packaging system recommends itself. The current resident rights rule simply says that a resident may choose their pharmacy provider, but that provider must comply with the facility's policy and procedures, to-wit: blister or bubble packaging of medications. If such a third party provider cannot or will not provide medications in such packaging, the resident does not have the right, under the rule, to insist on their choice of pharmacy.*

*We understand your point that savings could be realized by veterans who are Medicaid beneficiaries if their medications were supplied by VA (at 100% federal cost) as opposed to Medicaid payment which represent a state-federal split.*

*In our original discussions with the staff of the auditor’s office, we discussed what the long-term care industry’s reaction might be to the utilization of VA benefits to provide medications to eligible residents. At that preliminary time, we had not had the chance to discuss the concept, either generally or specifically, with the industry. Since that time, our discussions with the industry indicate that they, too, support the concept expressed in your recommendation 1.5.*

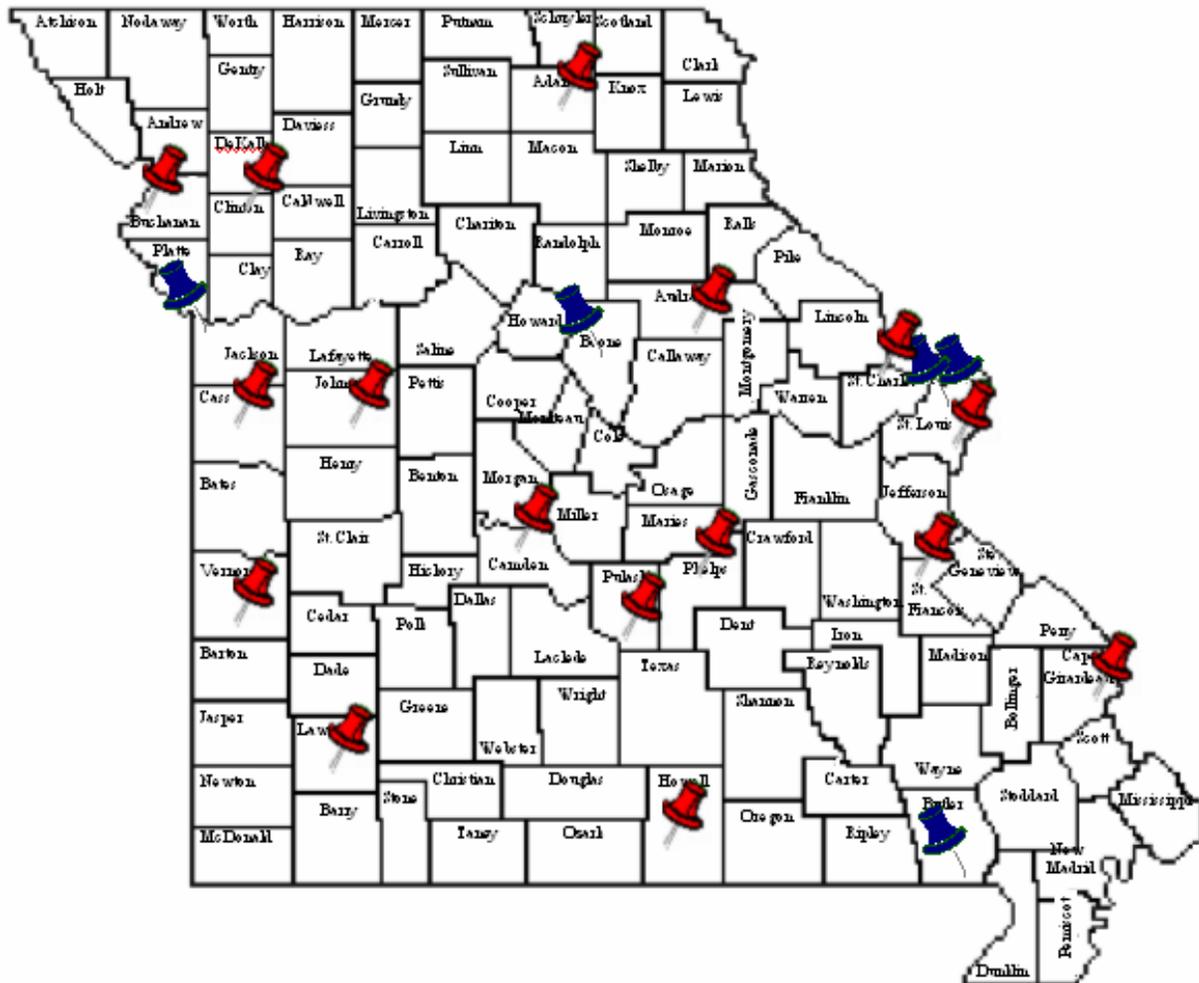
*We understand that the Missouri State Veterans Commission uses VA benefits for residents of their facilities—and that the state veterans commission has arranged with VA to have medicines bubble packaged before delivery to the individual veterans home. If similar arrangements could be provided for veterans residing in long-term care facilities regulated by our department—arrangements which would not be at the expense of the facilities—we believe that the industry would be supportive of this concept. In that case, the economic impact would reside with either Division of Medical Services or the state veterans commission.*

*One other point that was brought to our attention by the industry is that there are some variations on the bubble packaging process. Therefore, as the mechanisms are developed to implement this recommendation, facilities would want to be assured that the medications would arrive in bubble packaging that is the same as that used in their facility. As you can well imagine, the key to accurate medication administration is consistency. If some of the residents in the nursing home are receiving bubble packaged medications from the facility’s commercial pharmacy in “Packaging A” and the residents who are veterans are receiving bubble packaged medications from the VA pharmacy in “Packaging B,” this would introduce some inconsistency that could lead to medication errors for the veterans, for the other residents, or both.*

*We are happy to cooperate with the other agencies identified in this recommendation (Department of Social Services and the Missouri Veterans Commission) as well as the long-term care industry to develop these procedures.*

## Missouri VA Medical Centers and Clinics

This appendix shows the locations of VA's 5 medical centers and 16 clinics in Missouri.



-  Represents VA Medical Centers, which are located in Columbia, Kansas City, Poplar Bluff, and St. Louis (two centers).
-  Represents VA Clinics, which are located in Belton, Cape Girardeau, Camdenton, Cameron, Farmington, Ft. Leonard Wood, Kirksville, Mexico, Mt. Vernon, Nevada, St. Charles, St. James, St. Joseph, St. Louis, Warrensburg, and West Plains.

The VA has submitted a proposal to the U.S. Congress to establish additional clinics in Branson, Jefferson City, and Sullivan.